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CHINA'S AGRARIAN REVOLUTION

Beware of radical change

By JOHN A. DONALDSON
& FORREST Q. ZHANG
FOR THE STRAITS TIMES

A REVOLUTION in China's agriculture is under way. You would know that if you have been reading recent news reports. But this revolution actually started well before the decisions that emerged last month from meetings of the Chinese Communist Party.

Those decisions received a great deal of attention from China watchers. Many anticipated even before the decisions were made that the government would allow tacit privatisation of land or at least permit China's farmers to sell their land usage rights. Others reported that China was allowing farmers for the first time to lease their land to others, which should allow them to secure loans on their land. Many saw the anticipated increase in the scale of agricultural production as a way of modernising the Chinese countryside. They joined a growing chorus urging China to liberalise land ownership for the sake of increasing production and pulling hundreds of millions of peasants into the more prosperous urban economy.

All these views are based on misunderstandings of China's situation. In fact, the reforms that were preliminarily announced last month will not fundamentally alter the collective land ownership system that has been in place for about three decades.

To be sure, party documents have emphasised several issues that the new steps are designed to address, including the minuscule scale of production that occurs on tiny plots of land, as well as the lack of commercialisation of China's agricultural products. Some have concluded from this that China's leadership was considering

allowing farmers to sell their land rights. However, the policies that were released by the party heralded no new approach to land ownership. China's central government has re-committed itself to closing the income gap between rural and urban areas, but it has pledged to do so under the current system of land ownership.

Indeed, Chinese farmers have for years been able to transfer land usage rights and increase the scale of production. Agricultural production has already been commercialised and urban capital has already penetrated China's agricultural system. More importantly, these increases in scale occurred within the current system.

Rental markets are already well established throughout much of the countryside, and have been codified into Chinese law since 2002. Strikingly, the "new" measures that emerged from the recent party conference were word-for-word the same as the old 2002 law. Even as early as in 2001, rural households in many counties in the relatively wealthy coastal province of Zhejiang, for instance, transferred as much as 60 per cent of land to others. The revolution that many China watchers expect did not begin last month – it began years ago.

Furthermore, according to research we conducted last year in the south-western province of Yunnan and Shandong on China's northern coast, many agricultural products are being produced on an impressive scale. Plantations nearing 10,000 mu (667ha) employing thousands of rural workers are already being formed. The view of China's agriculture as based on subsistence agriculture is outdated. China's agriculture is already shifting to large-scale, specialised, commercialised production.

This scaling up is occurring as rural farmers adopt a variety of roles – from commercial and entrepreneurial farmers,

to rural workers with varieties of relationships vis-a-vis agribusiness. And because this increase in scale occurred without farmers abandoning their land or their land rights, they have benefited economically. The scaling up has occurred without the tumultuous upheavals that would likely occur if China chooses to privatise land ownership at this point.

Recent media reports appear to be based on an incorrect assumption that allowing farmers to buy and sell their land would benefit them. In contrast, we fear that allowing the sale (as opposed to the rental) of land usage rights, or any moves to otherwise privatise China's land ownership, would likely return China to the days of relatively large land-holdings and massive numbers of landless farmers.

If the current system were changed, it would make it easier for rapacious officials and business people to obtain land from peasants. It will probably not increase the productivity of agriculture, and enhance the efficiency of production only by slashing surplus labour and cutting off millions of farmers from their main source of income. Poor farmers are not likely to obtain much financing by using their meagre plots as collateral. Indeed, such financing would allow banks to foreclose on farmers during inevitable downturns.

China's current land ownership system has proven to be not only adaptable, but also conducive to the development of rural markets and agricultural modernisation. Eliminating land usage rights, or allowing the sale of such rights, will reduce the political power of farmers vis-a-vis other powerful actors, and add to landlessness in China.

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